Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 MONTRE 00670 01 OF 02 260749Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-06
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FM AMCONSUL MONTREAL
TO SECSTATE WASHDC 8878
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC
AMCONSUL TORONTO

UNCLAS SECTION 1 OF 2 MONTREAL 670

E. O. 11652: N/A
TAGS: EMIN, CA
SUBJ: MINERAL PRODUCTION IN QUEBEC

1. BEGIN SUMMARY: QUEBEC PROVINCIAL GOVERNMENT HAS ANNOUNCED DOLS 65 MILLION PROGRAM TO FOSTER MINERAL EXPLORATION IN NORTH-WESTERN SECTION OF QUEBEC. PROGRAM DRAWS ATTENTION TO QUEBEC'S DECLINING IMPORTANCE IN SOME AREAS OF MINERAL PRODUCTION. WHILE ASBESTOS AND IRON ORE CONTINUE TO BE STRONG SECTORS, COPPER AND ZINC HAVE SUFFERED MAJOR DECLINES. END SUMMARY.

2. PQ MINISTER OF NATURAL RESOURCES YVES BERUBE ANNOUNCED THAT QUEBEC GOVERNMENT WILL BEGIN A FIVE-YEAR DOLS 65 MILLION MINERAL EXPLORATION PROGRAM IN NORTHWESTERN SECTION OF QUEBEC. MAIN REASON FOR PROGRAM IS SAID TO BE EFFORT TO SAVE COPPER SMELTER OF NORANDA MINES LOCATED IN ROUYN-NORANDA FROM CLOSING. BERUBE SAID THAT NORANDA MINES HAS AGREED IN PRINCIPLE TO INVEST DOLS 20 MILLION OVER NEXT FIVE YEARS IN CONJUNCTION WITH GOVERNMENT PROGRAM.

UNCLASSIFIED

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PAGE 02 MONTRE 00670 01 OF 02 260749Z

3. BERUBE USED OCCASION TO ATTACK FEDERALISM, SAYING THAT PROB-LEM WITH NORANDA'S SMELTER BEGAN WHEN TEXASGULF, 30 O/O OWNED BY FEDERAL GOVERNMENT'S CANADA DEVELOPMENT CORPORATION, DECIDED TO BUILD ITS OWN SMELTER IN TIMMINS, ONTARIO, LESS THAN 100 MILES FROM QUEBEC BORDER. BERUBE SAID TEXASGULF TOOK DECISION TO BUILD ITS OWN SMELTER AFTER ONTARIO PASSED "PROTECTIONIST MEASURES" AIMED AT FORCING TEXASGULF TO PROCESS MORE OF ITS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

ORE IN ONTARIO. IF EXPANSION OF NEW SMELTER GOES AHEAD, NORANDA SMELTER WILL LOSE MAJOR SOURCE OF MINERALS FROM TIMMINS MINE. WITH POLITICAL TROUBLES IN ZAIRE ENDANGERING ANOTHER THIRD OF NORANDA'S SUPPLIES, BERUBE SAID THAT ROUYN-NORANDA SMELTER WOULD PROBABLY HAVE TO CLOSE BY 1982 UNLESS NEW SOURCES OF MINERALS WERE DISCOVERED. ECONOMIC PROBLEMS ASSOCIATED WITH DECLINING MINERAL PRODUCTION ARE EXACERBATED BY FACT THAT MINING ACTIVITIES ARE HEAVILY CONCENTRATED IN REMOTE REGIONS WITH FEW ALTERNATE SOURCES OF EMPLOYMENT. AS EXAMPLE, NORTHWEST REGION OF QUEBEC ACCOUNTS FOR 99 O/O OF QUEBEC'S GOLD PRODUCTION, 95 O/O OF ZINC, AND 70 O/O OF COPPER.

4. AMONG MEASURES TO BE TAKEN BY THE GOVERNMENT AS PART OF THE NEW PROGRAM ARE:
-- CREATION OF DOLS 500,000 FUND TO ENCOURAGE SMALL EXPLORATION COMPANIES.
-- CONSTRUCTION OF ACCESS ROADS TO MINING AREAS DIFFICULT TO REACH.
-- AMENDMENT OF QUEBEC MINING ACT TO ALLOW GOVERNMENT TO ISSUE PERMITS FOR EXPLORATION ON PROVINCIAL CROWN LANDS AND TO RESERVE FOR GOVERNMENT USE OF SOME CROWN LAND. BERUBE SAID THIS WOULD AVOID NUISANCE CLAIM-STAKING WHICH ONLY BENEFITS SPECULATORS.
-- ALLOCATION OF DOLS 3 MILLION DURING 1977-78 TO SOQUEM, THE GOVERNMENT'S MINING EXPLORATION COMPANY, TO EVALUATE MINERAL POTENTIAL IN VARIOUS AREAS.
QUEBEC MINISTRY OF NATURAL RESOURCES PLANS TO SPEND DOLS 8 MILLION OF THE DOLS 65 MILLION PROGRAM THIS YEAR.

5. COMMENT:
UNCLASSIFIED

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PAGE 03 MONTRE 00670 01 OF 02 260749Z

NEW PROGRAM DRAWS ATTENTION TO QUEBEC'S DECLINING IMPORTANCE AS A MINERAL PRODUCER. FOR A NUMBER OF YEARS NOW, NOT ENOUGH EXPLORATION HAS BEEN DONE FOR MOST INDUSTRIAL AND METALLIC MINERALS IN QUEBEC TO REPLACE RESERVES BEING TAKEN OUT. QUEBEC'S MINERAL PRODUCTION AS PERCENTAGE OF TOTAL CANADIAN PRODUCTION FELL FROM 18 O/O IN 1960 TO 8 O/O IN 1975. SIMILARLY, IMPORTANCE OF MINERAL SECTOR IN QUEBEC HAS FALLEN FROM 5 O/O OF PROVINCIAL PRODUCT IN 1966 TO CURRENT LEVEL OF ABOUT 3 O/O. WHILE QUEBEC CONTINUES STRONG IN IRON ORE AND ASBESTOS, COPPER AND ZINC MINING ACTIVITIES HAVE SUFFERED MAJOR DECLINES. PRODUCTION OF ZINC IN QUEBEC NOW AMOUNTS TO ABOUT 12 O/O OF TOTAL CANADIAN PRODUCTION, A CONTRAST TO SITUATION SOME TEN YEARS AGO, WHEN QUEBEC PRODUCTION AMOUNTED TO ONE-THIRD OF TOTAL CANADIAN PRODUCTION OF ZINC. PRODUCTION OF COPPER HAS SUFFERED A SIMILAR DECLINE, FROM LEVELS APPROXIMATING ONE THIRD OF TOTAL CANADIAN PRODUCTION TO NO MORE THAN 15 O/O CURRENTLY. DURING THE LAST TWO YEARS, SEVEN COPPER MINES IN QUEBEC HAVE BEEN CLOSED. AS RESULT, QUEBEC IS NOW HEAVILY DEPENDENT ON IMPORTS TO SUSTAIN ITS SMELTING AND REFINING OPERATIONS FOR COPPER AND ZINC. NEVERTHE-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

LESS, COPPER PROBABLY REMAINS MOST INDUSTRIALLY INTEGRATED OF QUEBEC'S MINERALS, AS IT IS MINED IN NORTHWESTERN QUEBEC AND THE GASPE, WHERE IT IS ALSO SMELTED, AND REFINED AT NORANDA'S ELECTROLYTIC REFINERY IN MONTREAL EAST, THE WORLD'S LARGEST COPPER REFINERY.

6. BERUBE HAS CRITICIZED MINING COMPANIES FOR INVESTING TOO LITTLE MONEY IN EXPLORATION IN QUEBEC, WHEREAS ONTARIO AND BRITISH COLOMBIA, WHERE DEPOSITS OF NON-FERROUS METALS TEND TO BE LARGER THAN THOSE IN QUEBEC, HAVE BENEFITTED FROM MUCH HIGHER LEVELS OF EXPLORATION EXPENDITURES. QUEBEC, HOWEVER, HAS SHOWN GAINS DURING LAST SEVERAL YEARS, WITH LARGEST SHARE OF EXPLORATION EXPENDITURES GOING FOR COPPER, WHICH ACCOUNTED FOR NEARLY TWO-THIRDS OF TOTAL EXPENDITUES FOR EXPLORATION IN QUEBEC IN 1975.

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PAGE 01 MONTRE 00670 02 OF 02 260750Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
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L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-10 PA-02 PRS-01
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TO SECSTATE WASHDC 8879
INFO AMEMBASSY OTTAWA
AMCONSUL QUEBEC
AMCONSUL TORONTO

UNCLAS SECTION 2 OF 2 MONTREAL 670

7. IN TERMS OF PRODUCTIVE EXPENDITURES, IRON ORE APPEARS, HOWEVER, TO BE MOST DYNAMIC MINERAL SECTOR AT PRESENT IN QUEBEC. LAST LARGE PROJECT TO OBTAIN OUTSIDE FINANCING IN QUEBEC BEFORE ELECTION OF PARTI-QUEBECOIS WAS DOLS 600 MILLION FIRE LAKE ORE MINE AND PELLETIZING PLANT TO BE MANAGED BY SIDBEC-NORMINES, WITH DOLS 330 MILLION OF FINANCING SUPPLIED BY AMERICAN INSURANCE COMPANIES AND PENSION FUNDS, AND WITH EQUITY FINANCING FROM BRITISH STEEL CORP. AND US STEEL. ANOTHER POTENTIALLY LARGE PROJECT IS IN INITIAL DEVELOPMENT STAGE BY JAMES BAY DEVELOPMENT CORP IN LAKE ALBANAL REGION. DEVELOPMENT CORP. AND ITS PARTNER, CLEVELAND CLIFTS, ARE LOOKING FOR ADDITIONAL

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

PARTNERS, WITH HOPES OF BEGINNING PRODUCTION AT LAKE ALBANAL SITE IN 1983. OVER LONGER TERM, ENERGY AND INFRASTRUCTURE BEING DEVELOPED IN AREA OF NORTHWESTERN QUEBEC GRANTED TO JAMES BAY DEVELOPMENT CORP. SHOULD GIVE STRONG BOOST TO QUEBEC'S EFFORTS TO FOSTER FURTHER MINERAL DEVELOPMENT IN PROVINCE.

8. TABLE

TABLE 1

QUEBEC MINERAL PRODUCTION (1)#

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PAGE 02 MONTRE 00670 02 OF 02 260750Z

	1965	1970	1975
IRON ORE (TONS)	14,780,000	14,974,287	12,614,000
COPPER (TONS)	176,074	176,045	129,809
ZINC (TONS)	225,787	205,467	135,338
GOLD (OUNCES)	918,957	690,225	465,000
ASBESTOS (TONS)	1,235,000	1,368,447	854,000 (2)

TABLE 2

VALUE OF QUEBEC MINERAL PRODUCTION (1)#

	1965 (MILLIONS)	1970 (MILLIONS)	1975 (MILLIONS)
TOTAL PRODUCTION VALUE	718.245	798.5	1,142.0
IRON ORE	140.5	131.4	207.9
COPPER	132.4	201.5	165.5
ZINC	83.3	63.1	98.3
GOLD	34.7	25.1	76.7
ASBESTOS	122.8	165.4	176.6 (2)

(1)# MAJOR MINERALS ONLY.

(2)# REFLECTS STRIKE. PRODUCTION IN 1976 ABOUT 1.5 MILLION TONS; ESTIMATED VALUE OF DOLS 340 MILLION.

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EO Systematic Review
22 May 2009
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